

## Gifting Clubs

Gifting clubs are a type of fraudulent money making operation often beginning in neighborhoods, churches, or similar small communities. The Internet is also a popular place to find a gifting club classified as a business opportunity or online money-making venture. In reality, the clubs are illegal pyramid schemes.

Cash gifting has become a catch phrase used to describe a group of people organized as a “club” or “association” with members eager to help new friends—often from within their own neighborhood or church group. New club members give cash “gifts” to the highest-ranking club members in order to join. They are promised that if they get additional members to join the club, they, too, will rise in the club’s ranks and earn more money than they paid to join the club.

The problem is that, like most pyramid schemes, gifting clubs must continually recruit ever-increasing numbers of members to survive. When the clubs don’t attract enough new members, they collapse. Most members who paid to join the clubs never receive the financial “gifts” they

expected, and lose everything they paid to join the club.

### **There’s no such thing as “easy money.”**

Promises of quick, easy money can be a powerful lure—especially when it comes with the additional benefit of new friendships or the convenience and ease of the Internet.

If you are approached about joining a gifting club but aren’t sure if it’s legal, the Bureau of Consumer Protection reminds you to:

- Consider that a legitimate gift has no strings attached and is not an “investment.”
- Avoid being misled into thinking a gifting club is legitimate because the ads say that members consider their payments a gift and expect nothing in return. This is an attempt to make an illegal transaction look legal.
- Be wary of success stories or testimonials of tremendous payoffs. Very few members of illegal gifting clubs or pyramid schemes ever receive any money.

- Don’t buckle under to a high-pressure sales pitch that requires you to join immediately or risk losing

out on the opportunity. Solid opportunities and friendships aren’t formed through nerve-wracking tactics.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

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# New twist to pyramid schemes

**Fantastic opportunity!?! Think twice** if the opportunity involves making an initial “gift” and then you just have to recruit new members into the club. This is only a new twist to the age-old pyramid scheme.

Pyramids are subject to Wisconsin laws that prohibit untrue, deceptive or misleading presentations and unfair practices.

Pyramid schemes may be disguised as games, buying clubs, motivational companies, chain letters, mail order operations or multi-level business opportunities. They all have the theme of get-rich-quick. The latest versions are called “giving” or “gifting” networks. Consumers are asked to “make a contribution” to the chairperson of the plan, who is on top of the pyramid.

Social and/or religious organizations are prime targets for promoters. Participants are encouraged to bring in friends and relatives. People want to believe friends or relatives, so they are discouraged from checking first with The Bureau of Consumer Protection or Better Business Bureau.

## The New Twist

A new source for cash gifting clubs is the Internet. They still promote themselves as clubs or associations – never as a business. The set up websites and YouTube links with appealing club names implying benevolence, friendship and charity, such as Abundant Living System. Money, in the form of cash, is transferred using FedEx (avoiding mail fraud charges by the post office). Promoters use common names that are not easy to trace, such as “Smith” or “Jones.” They are hard to trace and even more difficult to locate since they can operate from a variety of locations – even from a foreign country.

There are many types of pyramid schemes, and the number of people involved varies. Consider the numbers if one person recruited six “investors,” each of whom, in turn, had to recruit six others. Carried through nine progressions it would require over 10 million people! (See illustration above).

| Pyramid Progression |             |
|---------------------|-------------|
| Level               | # of People |
| 1                   | 6           |
| 2                   | 36          |
| 3                   | 216         |
| 4                   | 1,296       |
| 5                   | 7,776       |
| 6                   | 46,656      |
| 7                   | 279,936     |
| 8                   | 1,679,616   |
| 9                   | 10,077,696  |

The company or one individual is at the top. When the supply of people runs out, the pyramid collapses, and most people at the bottom of the pyramid lose their money.

## Characteristics of a pyramid

- Emphasis is on recruiting new participants, rather than selling a product or service.
- A product or service may be offered but is largely ignored.
- Presented as a “unique” way to obtain quick and easy living.
- Unclear where money is being spent.

- Concentrate on recruiting people with limited means and knowledge of business.
- Participants may initially make some money.
- Participants rarely complain.

## Protect yourself

Before you invest, ask for the company’s business and financial statements. Check references and background. Where is the company incorporated: Out-of-state corporations are often difficult to track down.

Beware of statements by the company that it has the approval of a government agency, Better Business Bureau or Chamber of Commerce. None of these organizations ever endorse or approve specific marketing plans.

(Taken from the FTC Consumer Alert, “The Gifting Club “Gotcha” . Cash Gifting Clubs: Are They Legal? Do They Work? By Jose Cuervo – voices.yahoo.com. Gifting Club, LegalMatch.com)

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